

Lex Watson

From: Lex Watson
Sent: Wednesday, September 18, 2019 2:19 PM
To: Gina Spearman
Cc: Kelly Allison; Sarah Laprade
Subject: RE: P&L Call

Gina:

Understood - and I assume that even though the P&L refers to the "Branch Margins" and Branch Expenses, it really is setting forth the Regional margins, expenses, etc.

As for the actual numbers, I noticed that some items that you would think would be fairly fixed from month to month (*i.e.*, office rent, internet service, etc.) vary up to \$20,000 from one month to the next (going both up and down). Also, some of the numbers do not make sense (*i.e.*, a \$7 expense for local phone service in the month of January?). I assume that a number of the items (salaries, loan origination costs, and the items listed under "Total Office and Admin") would be compiled / tracked at the regional level and therefore would be readily available to you - is that a correct assumption?

Do you have any prior information that would explain / illustrate how they arrived at the Corporate Allocation to your branch/region? The spreadsheet shows an average corporate allocation of \$635,076 per month - which would translate to \$7,620,912 per year allocated to your region - or why it rose by \$300,000 per month from January to July. Are some of the personnel at Corporate paid based upon the loan volume/revenue volume?

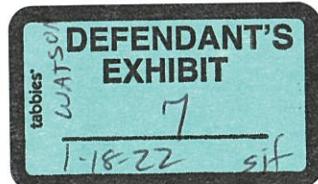
Lex A. Watson, II
Merritt Watson, LLP
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From: Gina Spearman [mailto:Gina.Spearman@Nafinc.com]
Sent: Wednesday, September 18, 2019 1:19 PM

To: Lex Watson
Cc: Kelly Allison; Sarah Laprade
Subject: RE: P&L Call



Lex, attached is the ytd thru July rolling P&L statement provided to us. We have many questions about the accuracy of the numbers. Thanks

Visit My Site Loan Products Pre-Qualification



Gina Spearman
Regional Manager
NMLS# 152661

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From: Lex Watson <lwatson@merrittwatson.com>
Sent: Wednesday, September 18, 2019 9:13 AM
To: Gina Spearman <Gina.Spearman@Nafinc.com>
Cc: Kelly Allison <Kelly.Allison@Nafinc.com>; Sarah Laprade <Sarah.Laprade@Nafinc.com>
Subject: RE: P&L Call

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Gina:

One further thing, the compensation schedule refers to a document named the "Regional Performance Bonus Policy and Procedure" which is supposed to set forth the manner in which NAF computes the Region's profits and losses. Do you have a copy of that document? If so, can you forward it to me?

Thanks,

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From: Gina Spearman [mailto:Gina.Spearman@Nafinc.com]

Sent: Tuesday, September 17, 2019 2:35 PM

To: Lex Watson

Cc: Kelly Allison; Sarah Laprade

Subject: FW: P&L Call

Please see grid below

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	<p>Gina Spearman Regional Manager NMLS# 152661</p> <p>Office: (800) 450-2010 Ext. 3758 Cell: (404) 449-4515 Fax: (404) 529-4043 Email: Gina.Spearman@nafinc.com</p> <p>Address: 5607 Glenridge Dr Ste. 100 Atlanta, GA 30342</p> <p>Website: www.newamericanfunding.com</p> <p>Get Connected:      </p>	
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From: Scott Frommert <Scott.Frommert@Nafinc.com>

Sent: Thursday, September 12, 2019 12:03 PM

To: Kelly Allison <Kelly.Allison@Nafinc.com>; Gina Spearman <Gina.Spearman@Nafinc.com>

Cc: Jan Preslo <Jan.Preslo@Nafinc.com>; Jon Reed (EVP Retail) <Jon.Reed@Nafinc.com>

Subject: P&L Call

Please see below for our call

SE	Option 1		Option 2		Option 3		
NO GROWTH	High BPS & Low %		Mid BPS & Mid %		Low BPS & High %		
	BPS Earned	27.5	BPS Earned	20.0	BPS Earned	10.0	
	Split	5.0%	Split	32.5%	Split	50.0%	Current Plan
	SVP Comp		SVP Comp		SVP Comp		\$ 4,877
	SVP Comp	2020	SVP Comp	2020	SVP Comp	2020	
	Worse	4,218,185	-14%	Worse	4,226,516	-13%	-15%
	Base	4,308,185	-12%	Base	4,811,516	-1%	4%
	Better	4,398,185	-10%	Better	5,396,516	11%	22%
	SVP Comp		SVP Comp		SVP Comp		
3% GROWTH	High BPS & Low %		Mid BPS & Mid %		Low BPS & High %		
	BPS Earned	27.5	BPS Earned	20.0	BPS Earned	10.0	
	Split	7.5%	Split	35.0%	Split	52.5%	Current Plan
	SVP Comp		SVP Comp		SVP Comp		\$ 5,154
	SVP Comp	2020	SVP Comp	2020	SVP Comp	2020	
	Worse	4,577,819	-11%	Worse	4,791,224	-7%	-5%
	Base	4,712,819	-9%	Base	5,421,224	5%	13%
	Better	4,847,819	-6%	Better	6,051,224	17%	31%
	SVP Comp		SVP Comp		SVP Comp		
6% GROWTH	High BPS & Low %		Mid BPS & Mid %		Low BPS & High %		
	BPS Earned	27.5	BPS Earned	20.0	BPS Earned	10.0	
	Split	10.0%	Split	37.5%	Split	55.0%	Current Plan
	SVP Comp		SVP Comp		SVP Comp		\$ 5,443
	SVP Comp	2020	SVP Comp	2020	SVP Comp	2020	
	Worse	4,945,928	-9%	Worse	5,322,005	-2%	2%
	Base	5,125,928	-6%	Base	5,997,005	10%	21%
	Better	5,305,928	-3%	Better	6,672,005	23%	39%
	SVP Comp		SVP Comp		SVP Comp		
Reserve	\$ 100,000		\$ 250,000		\$ 500,000		

- * Growth is measure off of funded purchase production compare to previous year
- * Growth factor to be measured annually and paid out as bonus after year close. Year 1 growth 1/1/2020 to 12/31/2020
- * Connect paid at 10 on high bps, 0 on others, accounted for in math

Thank you,

Scott Frommert
Chief Financial Officer



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Rolling P&L Statement (01/19-07/19)

Funded Volume		68,574,689	87,363,926	124,133,207	133,376,529	161,326,440	145,314,630	187,224,327	907,313,808
Funded Units		386	474	622	680	834	743	905	4,644
Rate Sheet Margin		\$ 3,040,186	3,852,945	5,664,085	5,953,290	6,270,491	6,270,491	7,951,639	39,826,379
Specified Pool Pay-up		156,027	217,950	287,930	304,252	432,138	302,189	367,123	2,058,632
Fee Revenue		419,242	512,290	667,882	722,169	876,357	757,729	932,547	4,868,218
									46,753,229
GPW Total		\$ 3,615,455	4,583,185	6,550,887	6,979,711	8,378,256	7,330,409	9,225,309	
Price Exceptions		\$ 492,286	767,354	1,094,810	1,119,187	1,281,960	1,145,862	1,581,283	7,482,755
Direct Loan Costs									
Commissions		\$ 1,338,433	1,685,129	2,491,010	2,473,890	2,959,618	2,770,623	3,424,611	17,053,320
Loan Origination Expense		\$ 23,249	23,328	28,320	28,125	34,290	30,330	30,821	198,463
Operations Management & Administration		\$ 364,136	315,150	365,218	398,297	503,913	444,834	608,004	3,039,592
Processing		260,250	255,744	313,880	338,125	466,344	412,488	476,476	2,523,307
Underwriting		73,564	76,032	97,940	96,875	121,920	107,840	133,280	707,451
Funding		75,602	87,260	87,260	87,344	85,344	87,465	87,465	500,059
Post Closing		59,684	53,568	67,260	71,250	75,488	76,200	83,300	426,300
MERS, Encorpas, & OB		34,700	43,200	59,000	62,500	76,200	67,400	83,300	255,780
Warehouse Line Cost		20,820	25,920	35,400	37,500	45,720	40,440	49,980	
Repurchase Reserve		10,410	12,950	17,700	18,750	26,670	23,590	29,155	139,235
Actual Early Payoff Expense		5,672	0	0	2,686	16,795	7,996	41,145	
Actual Early Payoff Other		0	0	0	0	29,682	0	0	29,682
Total Loan Origination Expense		\$ 852,486	805,902	984,718	1,054,108	1,406,878	1,210,406	1,56,514	7,861,015
Total Direct Loan Costs		\$ 2,190,919	2,491,031	3,385,728	3,527,998	4,366,496	3,981,029	4,971,125	24,914,335
Branch Expenses									
Net Unrecovered Loan Fees		\$ (31,679)	(42,399)	(53,117)	(62,014)	(40,541)	(34,728)	(47,884)	(312,345)
Verification Fees		\$ (7,052)	(8,540)	(11,568)	(12,564)	(15,138)	(13,512)	(16,573)	(84,947)
Credit Report (Only) Expense									
Unrecovered Loan Fees		\$ 130,358	177,617	205,567	212,602	236,451	213,748	244,746	1,421,022
Net Unrecovered Loan Fees		\$ 91,626	126,678	140,832	138,023	180,772	165,507	180,307	1,023,799
Total Branch Compensation									
Branch Salaries		\$ 327,000	295,620	308,994	328,009	354,851	325,139	342,583	2,282,208
Branch Overtime		19,628	14,333	21,466	26,273	26,479	24,038	24,442	161,662
Unrecovered Advance Draws		30,401	0	15,793	(10,559)	0	25,750	(5,182)	56,213
Unearned Branch Guarantees		97,484	75,543	73,364	76,076	49,201	36,956	59,339	467,967
Total Branch Compensation		\$ 474,515	385,497	419,618	419,800	430,541	411,895	426,182	2,968,051
Total Regional Compensation									
Regional Salaries		\$ 47,317	41,750	46,584	56,345	48,080	41,853	73,965	355,897
Health Care Adjustment		\$ 57,044	56,118	62,595	68,385	77,216	62,744	79,756	463,861
Total Regional Compensation		\$ 104,362	97,868	109,179	124,730	125,296	104,538	153,722	819,758
Total Office & Admin		\$ -	0	0	0	0	84	0	84
Seminar & Training		\$ 0	0	0	0	0	0	200	200
Office Relocation Expense		\$ 0	0	0	0	0	0	0	0
Conference & Registration Fees		\$ 0	0	0	0	0	0	4,885	4,885
Computer Software		\$ 6,785	5,100	6,916	1,773	4,499	5,042	5,042	33,477
Printer Toner				462	505	8,443	463	6,943	29,502
Signage		10,734	1,949						

Corporate Allocation							
1000006	Corporate Allocation	\$ 516,476	\$ 601,907	\$ 533,786	\$ 611,334	\$ 691,744	\$ 673,627
	Total Corporate- Regional Expenses						
	CORPORATE REGIONAL EXPENSES	\$ 516,476	\$ 601,907	\$ 533,786	\$ 611,334	\$ 691,744	\$ 673,627